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United Nations Industrial Development Organization

# Industrial Development Board

Thirteenth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 10 November 1994, at 10 a.m.

President: Mr. ARCILLA (Philippines)
later: Mr. EL HUSSEIN (Sudan)

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The meeting was called to order at 10.05 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1992-1993

(b) FINANCIAL SITUATION OF UNIDO

(c) MEDIUM-TERM PLAN, 1996-2001 (INCLUDING IMPLEMENTATION OF RESOLUTION GC.5/Res.1)

(d) UNIDO-ADMINISTERED FUNDS

(i) GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING

(ii) INDUSTRIAL DEVELOPMENT FUND

(iii) IN-DEPTH EVALUATION OF SPECIAL TRUST FUND PROJECTS

(e) UNIDO COUNTRY DIRECTOR PROGRAMME

(f) ACCOUNTING STANDARDS

(g) ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.12/2; IDB.13/2, IDB.13/3 and Add.1, IDB.13/4 and Corr.1, IDB.13/5-9, IDB.13/10 and Add.1, IDB.13/11, IDB.13/19-21, IDB.13/22 and Add.1, IDB.13/24, IDB.13/28, IDB.13/29, IDB.13/31; IDB.13/CRP.4, IDB.13/CRP.6)

HOME LEAVE ENTITLEMENTS OF STAFF SERVING IN THE UNIDO SECRETARIAT (continued) (IDB.13/25 and Add.1, IDB.13/31; IDB.13/CRP.5)

1. Mr. GORELIK (Russian Federation) said that a link existed between UNIDO's emergence as a competitive and effective organization and the rectification of its difficult financial situation. There were encouraging signs of stabilization in the regular budget. He noted that in the first eight months of 1994 the level of budget utilization had been lower than in previous years. While the slow-down in programme implementation due to restructuring in the first half of 1994 could be accepted, Member States were entitled to expect a substantial improvement in the second half. Stricter financial management, while not precluding some flexibility, would in his view generally ensure the completion of programmes as budgeted.

2. The operational budget situation unfortunately suggested that UNIDO still had to develop a new and more attractive image as an implementing agency for technical cooperation, and would need to adapt itself more fully to the new system of interrelationships with UNDP. He approved the Director-General's steps to balance income and expenditure in the operational budget. It was expected that the current budget would be closed without a deficit. The Organization's most important task must be stabilization of the operational budget and an active search for replenishment sources, and continued support should go mainly to Secretariat divisions engaged in attracting additional donor resources.

3. Replenishment of the operational budget might also be helped by activation of the Organization's work in new recipient countries, with special reference to UNIDO involvement in implementing multilateral programmes to assist countries in transition, as mandated by the last session of the General Conference and the Yaoundé Declaration.

4. While the system proposed by the Secretariat for setting aside operational budget resources for specific programmes in proportion to their contribution to technical cooperation seemed sound, the system had to be applied flexibly enough to avoid a subjective approach and take account of the full range of UNIDO's priority tasks. As rightly noted, achievement of the proposed measures would largely depend on a reliable and objective system for calculating ancillary expenses. It was also important that UNIDO's chief concern should remain the provision of assistance for industrialization of the developing countries, primarily the least developed countries, including those of Africa.

5. Noting with satisfaction that the problems of countries with transitional economies had been reflected in the medium-term plan, he expressed agreement with its proposed new format and change of name.

6. The Russian Federation regarded the UNIDO Country Director programme as an important operational instrument enabling changing needs in recipient countries to be defined in good time and acted upon effectively. The consolidation of UNIDO's presence on the ground came in response to a general decentralizing trend in the work of the United Nations system in the economic and social areas. Furthermore, if substantially improved in its operation, the UCD programme might become an additional channel for mobilizing development finance.

7. His country believed that, for the sake of an objective assessment of the prospects and scale of the UCD programme, a proper balance would have to be struck between real needs and real possibilities, particularly when it came to financing. Welcoming the Secretariat's steps to set up a group of international consultants to survey the UCD programme, he expressed the view that the work of the group should be organized in the broader context of an examination of the issues connected with UNIDO's representation locally. Also commendable was the Secretariat's initiative regarding a comparative analysis of the forms and methods used by other institutions in decentralizing their activities and establishing local representations.

8. On the problem of travel expenses in connection with home leave, his Government considered that the issue should be solved by 1 January 1995 and hoped that the system proposed by the Philippine delegation for rationalizing those expenses would be duly taken into account.

9. Despite the extremely difficult economic period his country was experiencing, the Russian Federation assumed a fully responsible attitude towards its financial obligations to the international organizations of the United Nations system, as evidenced by its increased payments to the UNIDO regular budget. Over the first eight months of 1994 it had succeeded in making payments totalling more than its annual contribution.

10. Mr. DAMANPAK JAMI (Islamic Republic of Iran) said his Government believed that the reformed UNIDO would only be viable with practical support from all Member States, particularly through timely payment of contributions and increased voluntary contributions. A recent meeting on replenishment of the Industrial Development Fund had shown a trend contrary to the

Yaoundé Declaration, with its firm commitments to political and financial support for the revitalized UNIDO.

11. By raising detailed technical issues and telling UNIDO how to act with regard to implementing the priorities already approved by all Member States at Yaoundé, some members of the Board seemed to be showing an unwillingness to continue their support of the Organization. Despite domestic problems stemming from post-war rehabilitation and development, his Government had invariably tried to fulfil its financial commitments to international agencies such as UNIDO and had supported the Organization's activities in various ways. It had recently paid a substantial amount of its outstanding contributions to UNIDO, and would shortly pay another considerable sum.

12. On the other hand, while the operational budget had been affected by lower contributions to IDF, and slower project delivery, his Government had, in view of its good relationship with and support for UNIDO, entrusted the Organization with implementation of the project on elimination of CFCs from industries by means of the financial facilities provided by the Montreal Protocol.

13. Regarding the UCD programme, his delegation believed that it was high time for a permanent mechanism to be set up to cover the cost of UCD offices from internal resources, particularly the regular budget.

14. Field representation would do much to enhance regional cooperation, particularly among developing countries. In that connection, his delegation felt that UNIDO should, as a matter of urgency, establish a subregional office to cover its industrial development activities in the ECO (Economic Cooperation Organization) region.

15. Regarding the draft medium-term plan (IDB.13/19), while the five new development objectives certainly fell well within the mandates approved by the General Conference, his delegation had difficulty with the approach to certain priority problem areas in the previous medium-term plan, such as ECDC and subregional industrial cooperation among developing countries. It hoped that new reform of the medium-term plan would lead to better results in the near future.

16. Mr. RUSINSKI (Poland) said that the financial situation of UNIDO had been a matter of permanent concern, and recalled that the Polish Government had always paid its assessed contributions fully and on time. His delegation took note of the reasons given in paragraph 14 of document IDB.13/22 for the low rate of regular budget implementation in the first eight months of 1994, associated with the reform of UNIDO. It also welcomed the measures intended or taken to achieve full and effective utilization of resources. Regarding document IDB.13/28, it was to be hoped that clearer setting of priorities and structural reform would yield the positive results outlined in paragraphs 24-31.

17. The Director-General's revised draft medium-term plan for 1996-2001 (IDB.13/19) basically met the requirements formulated at the last PBC session. His delegation could agree to the proposal to concentrate on a period of four years and to change the name to "medium-term programme framework". A particularly important task of the programme framework was to coordinate UNIDO's activities more closely with those of other organizations in the United Nations system, in regard to both operational activities and analysis, research and political advice. In that context, some possibility could be seen of duplication with UNCTAD in monitoring and assessment of trends in international foreign direct investment.

18. With regard to the progress report on follow-up action taken in response to PBC conclusion 94/7 (IDB.13/29), appropriate field representation of UNIDO should rank high among the priorities of the new, revitalized UNIDO, and the substantive and programming capability of UNIDO country offices must be strengthened. He also believed that the idea of establishing some subregional offices on a trial basis should be energetically pursued and that, within the discussion on the required future functions of UNIDO country offices, the possible combination of the Investment Promotion Service and UCD functions should be assessed. He noted with interest that a team of international consultants was to visit a number of selected countries in several developing regions and assess the needs for services to be rendered by UNIDO country offices. The task was extremely ambitious and his delegation looked forward to learning the results of the exercise at the next PBC session. On the question of financing, every effort should be made to find the required resources within the existing budgetary ceiling, without resorting to an increase in the regular budget for the next biennium.

19. Mr. UTOMO (Observer for Indonesia) said that although the cash situation of the regular budget was reported stable, his delegation noted with concern the continued trend of low collection in 1994 since it might adversely affect the cash flow of the Organization's regular budget in the ensuing months. While it was encouraging to note that the collection rate was improving as of October 1994, the availability of cash resources from collection of assessed contributions in respect of the previous year should not be relied on. Meanwhile, the anticipated unspent regular budget resulting from a higher vacancy factor and other savings could be utilized for priority programmes and activities in the 1994-1995 biennium, such as field representation, the least developed countries, small- and medium-scale industry, investment and technology, and environment and energy.

20. With regard to the medium-term plan for 1996-2001, his delegation supported the Director-General's proposal that it should serve as the main framework for the biennial work programme, and that it should be renamed "medium-term programme framework".

21. The development objectives and special considerations described in document IDB.13/19 were consistent with the five priority problem areas of the previous plan as directed by the General Conference. Knowing how difficult it was to discern socio-economic and industrial prospects in a setting of rapid global change, his delegation could accept the proposal to focus the medium-term plan on its first four years.

22. The UNIDO Country Directors could play an important part in communication between the Organization and recipient Governments both in technical cooperation projects and in project identification, a function enhanced by their familiarity with local situations in developing countries. In view of the potential suspension of UNDP funding, the proposal to secure minimum

resources under the regular budget to finance UCD offices was worth considering. Even though resources might be lacking to maintain the current level, the existence of a limited number of UCD offices would be beneficial to developing countries. His delegation also noted with appreciation that, despite its financial constraints, UNIDO had managed to maintain the level of 39 field offices in 1993 through a combination of funding sources. It further welcomed the idea of deploying headquarters staff and employing national directors as UCDs to fill some of the vacant posts, which would be beneficial in terms of cost reduction and familiarity with procedures.

23. His delegation agreed with the view that greater transparency was of prime importance in UNIDO's activities, particularly with regard to technical cooperation projects. Involvement of the permanent missions in Vienna could expedite the implementation of technical cooperation projects.

24. Mr. CAMILLERI (Observer for Malta) said that some donor countries were dissatisfied with the way their contributions were used, while the less developed countries kept asking for more assistance. That was neither a new phenomenon nor one confined to UNIDO. However, UNIDO's work continued to be of great benefit to the economic development process involving the public and private sectors alike.

25. There was a general consensus that teaching people to produce was preferable to supplying them with the product. It was gratifying that UNIDO adhered to that philosophy not only in its traditional assistance covering agriculture, education, small and medium-sized enterprises and infrastructural services, but also in such areas as privatization, particularly in the former centrally planned economies where it was considered essential to their move towards market-oriented economies.

26. At the recent Cairo International Conference on Population and Development, the emphasis had been on expanding education, particularly of women, and on the moral obligation to transfer know-how and expertise to poor countries with a high population growth rate. Education, better health facilities, industrial development, restructuring of existing manufacturing enterprises and the development of the primary industrial sectors had been identified as the main objectives of future programmes by the United Nations Fund for Population Activities (UNFPA). Those objectives were equally applicable to UNIDO. He believed that savings in administrative areas could release thousands of dollars that could be assigned to the beneficial work of the Organization.

27. Having profited in the past from UNIDO's technology transfer activities, with generous contributions from donors, Malta was now in a position to be of some assistance to other countries and hoped to be able to explore that possibility with the Secretariat in the near future.

28. Mr. EL HUSSEIN (Sudan) took the Chair.

29. Ms. EL DIRDIRI (Sudan) expressed satisfaction with the implementation by UNIDO of its very significant programmes in the Sudan. As part of its current restructuring, her country was mobilizing its full potential in industry and seeking to rehabilitate all economic, social and industrial sectors. That strategy was intended to find new opportunities and jobs in small and medium-sized enterprises, and an all-out drive against underemployment had been embarked upon. It was to be hoped that UNIDO would assist in such programmes, especially those pertaining to industrial development.

30. The Sudan needed to liberalize its trade and attract foreign exchange. It had managed to privatize many public enterprises with UNIDO's help, and saw industrial development as a crucial factor. It hoped to allocate a large proportion of its available resources to industrial development. It hoped that UNIDO would set up more regional offices. She hoped that the restructuring programmes and reforms under way in UNIDO would help the developing countries, and appealed to financing agencies to make more resources available to UNIDO's regional offices.

31. The many problems still facing the Sudan in its restructuring efforts included foreign debt and shortage of foreign exchange. Industrialization might help the Sudan to service and reschedule its debt. The country should be concentrating on the most important industrialization programmes.

32. UNIDO should seek to promote restructuring and industrialization in the least developed countries. With regard to restructuring, more equitable geographical distribution was needed in the Secretariat, without prejudice to qualification requirements.

33. Mr. MAYRHOFER-GRUNBUHEL (Austria) said that Austria's voice had been little heard during the present Board session, not because of any lack of interest on its part, but because it was already working within the framework of the European Union, to which it was expected to accede on 1 January 1995.

34. Austria was optimistic about UNIDO's future and convinced of its mission and place within the United Nations system. The Director-General was heading in the right direction, his personal dedication was unquestioned and he was making genuine efforts to advance the reform of the Organization in accordance with the somewhat unclear guidelines set by Member States. Owing to the financial strait-jacket in which UNIDO was currently placed, however, his freedom of movement was limited. Austria therefore appealed to all Member States to pay their contributions in full and in time. Countries generous in their advice to the Director-General should back it up by honouring the financial commitments they had undertaken; the Organization could not exist on words alone. However, Member States should resist the temptation to get involved in the micro-management of the Organization. Following the reform, it was important for UNIDO to maintain a continuing dialogue with the permanent missions to explain past actions and future plans. It was not sufficient to consult Member States two or three times a year. Maintaining such a dialogue would be time-consuming; to ensure success a strong team would have to be forged to support the Director-General. Given his many duties, which included extensive travel, the absence of a deputy and basic management requirements, it was imperative that his managing directors should work closely as a team, fully involved in policy formulation under the Director-General's leadership and strongly supporting him in their endeavours. It

was also essential that the Director-General's Office should provide strong support and facilitate teamwork.

35. Each session of the Board was addressed by the staff representative. It was important that the Board listen to the staff's point of view and heed their concerns. Only thus could the staff be expected to give of their best, especially under present circumstances. Now that the painful process of reform was largely behind the Organization, he appealed to the staff to throw their weight behind the Director-General and his senior management. The unity of purpose referred to by the President of the Staff Council was not always apparent. Supporting the Director-General in his reform efforts was the best investment staff could make in their own future.

36. Support, of course, was a two-way process. Although the Organization had to use modern management techniques, his delegation considered that UNIDO had adequate human resources; there was no need to dismiss or replace staff but rather to inspire them to give of their best. Although results could not be expected overnight, the task required immediate attention. In view of the pressure of time, there was a need for both representatives of Member States and UNIDO staff to work together with the Director-General to shape a new UNIDO that would serve as an effective tool to assist countries in the process of development or transformation, in accordance with their needs and wishes.

37. Mr. DE MARIA e CAMPOS (Director-General) thanked members for their comments and said that the Board, together with the General Conference, provided a good opportunity for discussion of the progress being made by the Organization and for receiving guidelines for future work. The process of reform was beginning. As had been decided at Yaounde, the Organization was giving greater attention to helping developing countries, and economies in transition, to achieve international competitiveness to build a strong industrial sector. What was demanded from UNIDO was relevance, cost-efficiency and quality services; he and his staff were making every effort to meet those demands. Nevertheless, the Organization's efforts were limited by the lack of financial resources - and he referred not just to assessed contributions to the regular budget but also to support for the reform process and the additional resources needed for technical cooperation.

38. Much was said about the need for equitable geographical representation. He was fully committed to that principle and was making every endeavour to implement it. However, with income diminishing, it was difficult to embark on further recruitment. He urged those Member States seeking greater representation and looking for a stronger UNIDO to support the Organization financially. At the same time, the Secretariat was trying to improve communications and dialogue with Member States. But he urged Member States to trust the Secretariat and not to try to engage in micro-management.

39. He was making every effort to strengthen co-ordination within the Secretariat. Ways were being sought to improve management and coordination mechanisms. Good relations were maintained with the Staff Council and he kept the staff regularly informed.

40. Support had just been expressed by the various groups of countries in the United Nations General Assembly for the reform process taking place in UNIDO. He hoped that the Board would provide UNIDO with the support it needed to become a stronger and more effective Organization.

41. Mr. VAN RAALTE (Managing Director, Division of Administration), replying to observations made in the debate, welcomed the support shown by several members for the plea that assessed contributions should be made regularly and on a timely basis, including arrears. That was perhaps the single most important action Member States could take to improve the Organization's financial situation. He was also grateful for the voluntary contributions pledged by a number of Member States. He welcomed the recognition given to the Organization's efforts to address the recommendations of the External Auditors. The internal committees set up by the Director-General would continue to monitor those efforts regularly, in the light of the observations and recommendations of the new External Auditors. Progress would be reported to the Programme and Budget Committee and the Board. It was gratifying that several Member States had found the report on the scope and content of the operational budget and its relation to the regular budget useful. The allocation to programmes of resources under the two budgets was currently somewhat arbitrary, but action would be taken to rationalize it in the 1996-1997 programme and budget. Steps were also being taken to initiate a process of cost measurement and cost accounting, but it would take time to complete.

42. With regard to home leave, the travel entitlement recognized in the majority of the organizations of the common system was 100 per cent of the air economy fare. The lump-sum option was a way of satisfying the entitlement at a lower cost; essentially, it involved giving staff members less than 100 per cent and splitting the resulting savings with them. A percentage was needed that would maximize the savings for UNIDO while still providing a sufficient incentive for staff members to choose the lump-sum option. If the modest benefits to staff members were reduced too much, fewer would choose the option; the right balance had to be struck. The decision as to that balance, and on the whole question of home leave and travel entitlements, was one that should be left to the Director-General, as laid down in the Constitution and the Staff Regulations (regulation 13.4), although guidance from Member States was always welcome. An effort to harmonize the formula throughout the United Nations system, as suggested by Japan, had already been attempted in the past by the Consultative Committee on Administrative Questions (CCAQ) and had proved unworkable because of varying situations. The study of the question was virtually complete and merely awaited finalization of consultations with IAEA and with the Staff Council. It was expected that the 1 January 1995 deadline set by the Programme and Budget Committee for any revisions would be met.

43. With regard to staff, a transparent and fair personnel system, recruiting and retaining the best and brightest, was as essential for UNIDO as for any other organization. Two expert consultants, one familiar with the United Nations system and the other from the private sector, had been recruited to provide an objective assessment of present recruitment, promotion and career

development practices. Their recommendations should be available before the end of the year. The vacant position in the Integration of Women in Industrial Development Unit was expected to be filled soon. The question of workload allocation and a possible independent Staff Inspection Unit were being addressed by the two consultants mentioned.

44. With regard to the question concerning the staff reduction exercise, it had been mandated by the Programme and Budget Committee. Painful and difficult as the effort was, it had eventually resulted in all separating staff members signing an agreement of termination, under terms which they, including the former staff member from Panama, had presumably found acceptable. The case of that staff member, and several others, were pending before the Tribunal; it would therefore not be appropriate to comment further on them.

45. As the Hungarian delegation had pointed out, the vacancy rate was higher in the technical divisions than in some of the support ones. The reason was the difficulty of finding and recruiting experts in some of the highly technical fields concerned. Efforts to do so were, however, continuing. At present some 14 Professional posts were under active recruitment for the technical divisions, and seven more were being prepared for recruitment. In most cases the posts were being advertised outside the Organization. The External Auditors had been examining the reorganization and the staff reduction exercise and cost figures were available from them.

46. With regard to the comments made on the proposal to replace the telephone system, there were two options available, one to join IAEA in commercial procurement of a new system and the other to connect to the existing expanded system of UNOV, which had enough unused capacity to meet UNIDO's needs. Commercial procurement jointly with IAEA was expected to cost between $1 million and $1.5 million. If that estimate was correct, $1 million would be committed during the present biennium and the remainder in the following budget. The UNOV option would be less expensive, under $1 million. The main reason for replacing the existing system was to acquire one that was more efficient and cost-effective, reducing the number of switchboard staff and giving better access at lower cost to the United Nations world-wide network and its direct lines overseas. Replacement of the telephone system was a matter of urgency because it was threatening to break down. Should the proposal fail to gain the Board's approval, the opportunity for UNIDO to join the IAEA or UNOV systems as they moved ahead would be missed and a higher price might have to be paid for the inevitable replacement of the facility later. With regard to reporting, the Secretariat could report periodically to the missions at Vienna and to the Board and the Programme and Budget Committee as requested.

47. Mr. DEROY (Managing Director, Mobilization and Management of Financial Resources Division), replying to questions and comments, said that 62 projects had been submitted by UNIDO to donors since the beginning of the year. By the end of the year, 58 projects were expected to receive financial approval. That high level of approvals, one of the best ever attained in UNIDO, was a clear reflection of the quality of the projects concerned. It should be noted, however, that, although the projects had been approved, the funds would not actually be disbursed immediately but in a two- or three-year period, the normal time period for technical cooperation projects.

48. With regard to the comment made by the representative of the European Union on the evaluation relating to special trust funds, the results could certainly be presented within the framework of a meeting to be held in Vienna and possibly even in Geneva, as had been done in other cases.

49. Mr. MUEGGE (Director, Strategic Planning Office) welcomed the broad support given by representatives to the medium-term plan for 1996-2001 as presented and the proposal to change the duration of future plans. Specific objectives and priorities could be included in the 1996-1997 programme and budget. Regarding the attention given to ECDC/TCDC, ECDC/TCDC was included in the fifth development objective of the plan (IDB.13/10, paras. 103-114). However, ECDC/TCDC would be given special attention in all relevant UNIDO programmes.

50. Regarding the issue of women in industry, it was also difficult to give that issue full justice in such a report. It had been decided not to give repeated references to the issue under each objective but to group them under a single heading. The intention had been to indicate that women's issues entered into all aspects of UNIDO's work and cut across all activities and services. Every effort was being made to ensure that staff were fully aware of gender issues. In September 1994, a workshop on integration of gender issues in industry had been held for middle management and members of the PPRC. Another would be held in December 1994. Internal seminars were also held on various issues such as representation of women in industry. Disaggregated statistics were being compiled to give gender-specific data, such as the number of female employees in each industry within the manufacturing sector. Attempts were also being made to collect wage and salary statistics by gender, although such figures were not available from all countries.

51. With regard to the UNIDO Country Director programme, which had received broad endorsement from the Board, the support for using some of the regular budget savings in the current biennium to maintain that programme had been noted. He agreed that systematic review of the long-term costs and financing options was needed as well as a more permanent solution to the problem. The memorandum of understanding with UNDP was currently under review and a report on the matter would be made to the next session of the Programme and Budget Committee. As had been noted, UCDs were well placed not only to liaise with national bodies in their country of location but also to maintain contacts with regional bodies there. There was thus a need, as a number of representatives had pointed out, for field representation within the United Nations system to be coordinated. Agreement had recently been reached on the appointment of a UCD in Manila. A further report would be made to the next session of the Programme and Budget Committee.

52. Mr. ARCILLA (Philippines) said his delegation welcomed the fact that the Secretariat would endeavour to meet the deadline of 1 January 1995 for modifying the home leave arrangements. Reference had been made to the common system, which he understood to be the United Nations system. United Nations entitlements were for home leave every two years - but the implementation of those entitlements was not uniform throughout the system. The Secretarat had indicated that the entitlement was 100 per cent - presumably of air fare in economy class. In 1989, UNIDO's External Auditor had pointed out that the

entitlement to 80 per cent of economy-class fare, as had been the practice at that time, deviated from the provisions of the interoffice memorandum dated 26 June 1987 concerning home leave and family visits. His delegation firmly believed that the staff of UNIDO and of other organizations, with headquarters in Vienna should not be disadvantaged in comparison with other United Nations bodies. The Organization should furnish the full air fare for home leave and not seek to make financial gains from such arrangements.

53. Concerning the proposed reallocation of $1 million for the telephone system, he felt that the time was not really ripe for such a measure. UNIDO was literally struggling for existence and there was a shortage of funding for priority activities. He queried whether IAEA's governing body had actually taken a decision to install a new telephone system and wished to know whether it was not the obligation of the host country to fund such renovations.

54. Mr. DE MARIA Y CAMPOS (Director-General) assured the Philippine delegation that all of its comments and concerns would be duly taken into account. Concerning the proposed installation of telephone equipment, he said it was seen as something that could produce significant savings, a goal which Member States had often exhorted the Organization to pursue.

55. Mr. VAN RAALTE (Managing Director, Division of Administration) said that the Board of Governors of IAEA had approved the installation of new telephone equipment and that the acquisition of such equipment was already being pursued. He had engaged very recently in discussions with representatives of the Government of Austria on the installation of a new telephone system, during which it had become clear that that Government would not finance such a measure.

MATTERS RELATING TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS

56. The PRESIDENT said the information provided in the annotated agenda (IDB.13/1/Rev.1/Add.1) concerning intergovernmental, non-governmental, governmental and other organizations was still valid: the Secretariat had received no requests or applications from such organizations that would require action by the Board. However, it had received communications concerning name changes for three non-governmental organizations, all of which had had consultative status with UNIDO since October 1986. The Institute for the Development of International Cooperation had changed its name to International Forum; the Islamic Chamber of Commerce, Industry and Commodity Exchange had been renamed the Islamic Chamber of Commerce and Industry; and the World Assembly of Small and Medium Enterprises had become the World Association for Small and Medium Enterprises. He suggested that the Board take note of the new names of those organizations.

57. It was so decided.

58. Mr. EZZAT (Egypt) said his delegation welcomed the contribution made by the Secretariat to the preparations for the eleventh meeting of the Arab Industrial Development and Mining Organization, held at Rabat from 20 to 24 June 1994. At that meeting, a resolution had been adopted on cooperation between the Organization and UNIDO with a view to carrying out joint activities and establishing priorities for a special programme for industrial development in Arab countries and for cooperation with ESCWA. His delegation hoped the Secretariat would take steps to increase UNIDO's cooperation with the Organization and to intensify the work of joint technical committees, especially in relation to projects to foster industry in Palestine. It was to be hoped that the Secretariat would increase the number of UCDs in Arab countries.

59. Mr. HEZZAD (League of Arab States) said he wished to thank the Director-General and the Secretariat on behalf of the Secretary-General of the League of Arab States for UNIDO's constructive involvement in the preparation and conclusion of a cooperation agreement between the two organizations. The League of Arab States looked forward to working closely with UNIDO in a number of areas. Both parties must now take steps to translate the agreement into specific projects to benefit the Arab States in various fields, including development of technology, regional and industrial development, technical assistance for industry and industrial research and training.

JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICES (IDB.13/17, IDB.13/31)

HEADQUARTERS AGREEMENT BETWEEN UNIDO AND THE REPUBLIC OF AUSTRIA (IDB.13/26, IDB.13/31)

ADMINISTRATIVE MATTERS

(a) JOINT INSPECTION UNIT

(b) INTERNATIONAL CIVIL SERVICE COMMISSION

(c) UNITED NATIONS JOINT STAFF PENSION FUND (IDB.13/18, IDB.13/23 and Add.1, IDB.13/31)

60. Mr. VAN RAALTE (Managing Director, Division of Administraton), introducing item 8 "Joint United Nations/UNIDO conference services", said that, as requested by the General Conference, UNIDO had taken steps to finalize with the United Nations the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna, effective 1 January 1995.

61. According to the new arrangements, UNIDO would receive from UNOV a whole range of documentation services that were currently provided by UNIDO's Languages and Documentation Service. The transfer of that Service would entail no additional cost for UNIDO. The Organization would be charged for translation services according to an established unit rate and not, as was currently the case, according to the proportion of UNIDO documentation in the total workload processed by the Languages and Documentation Service. The new system would open the way to better financial control, and savings would be made by reducing the volume of documentation where possible. UNIDO would still be in a position to take advantage, where feasible, of more economical ways of processing documentation such as contractual translation. A similar cost-sharing formula based on a unit rate was expected to be introduced for editing, reproduction, distribution and other operations involved in document processing.

62. The new unified conference services under UNOV's administration would benefit from being part of the world-wide United Nations conference

servicing system. Work could be shifted among duty stations, optimizing the use of established capacity and reducing requirements for costly temporary assistance. The United Nations planned to start employing modern word-processing equipment in 1995 which would further improve documentation services. The agreement between the United Nations and UNIDO provided that all staff currently working in UNIDO's Languages and Documentation Service would be transferred to UNOV administration, without detriment to their acquired rights and contractual status. The arrangements were to be periodically reviewed and adjusted, thereby providing UNIDO with the necessary control and flexibility. There was every reason to expect that the transfer of administrative responsibility for conference services would go through as planned on 1 January 1995.

63. Regarding item 9, "Headquarters agreement between UNIDO and the Republic of Austria", delegations had before them a report by the Director-General in document IDB.13/26. In July 1994, it had been agreed that negotiations with the Austrian authorities would be conducted in a coordinated manner by UNIDO and the United Nations, which was working on a text for a headquarters agreement virtually identical to that of UNIDO. A meeting was scheduled for the week of 21 November 1994 to discuss outstanding issues in UNIDO's headquarters agreement. The meeting would be conducted trilaterally, with the participation of the Government of Austria, the United Nations, and UNIDO.

64. Turning to subitems (b) and (c) of item 10, concerning the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Fund, he said that as an organization within the United Nations common system, and in accordance with Article 11.5 of the Constitution, UNIDO made sure that the conditions of service for its staff complied with General Assembly resolutions adopted on the recommendations of ICSC. Document IDB.13/18 outlined the amendments made to certain schedules and annexes to the Staff Regulations to bring them into conformity with decisions taken by the General Assembly on salaries and other allowances. The document also outlined recent resolutions on the status of women in the United Nations system: UNIDO would submit to the Board at its fourteenth session a progress report on the status of women in the UNIDO Secretariat.

65. In relation to pension matters, document IDB.13/18 also reported on pensionable remuneration of staff in the General Service and related categories and on recent changes in the representation of the UNIDO governing body on the UNIDO Staff Pension Committee. The recommendations of the forty-sixth session of the Pension Board were currently before the General Assembly and, if approved, would become effective on 1 July 1995. The International Centre for Genetic Engineering and Biotechnology had submitted its staff rules and regulations to the Pension Board, paving the way for admission to the Pension Fund in 1996.

66. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, referring to document IDB.13/23 on the Joint Inspection Unit (JIU), commended UNIDO for its support for JIU's view that non-governmental organizations were an important partner in the development process, especially in the industrial sector. UNIDO should focus its activities on institutions such as industrial associations, chambers of commerce and technological institutes - the distortion introduced by local competition could be significantly reduced. In providing support for science and technology in Africa, the United Nations must focus on the creation, strengthening and networking of institutions. Linkages between the institutional and productive sectors must likewise be pursued and strengthened. His delegation welcomed the fact that UNIDO had now established a harmonized conceptual framework for the development of technological capabilities. Communication was an important aspect of all development cooperation activities, and national efforts must be carried out in a spirit of cooperation.

67. His delegation supported JIU's suggestion that UNDP and the specialized agencies seriously consider consolidating their field offices under one United Nations roof. He welcomed the fact that UNIDO had taken the lead by integrating the UCDs into the offices of the UNDP Resident Representatives. The European Union had always supported the consolidation of the four oversight offices within the United Nations Secretariat into one entity under the supervision of an Under-Secretary-General. UNIDO might be well advised to follow that example. A strengthened oversight office would provide strong stimulus for the full implementation of reform efforts and promote improved management. Any such change could and should be made without reopening discussion on UNIDO's organizational structure and carried out without budgetary implications.

68. With regard to personnel matters, his delegation fully endorsed any effort that would result in a strengthening of the common system and opposed any action that would undermine it. UNIDO must pursue its efforts to achieve gender equality. All measures that would enhance UNIDO's performance appraisal system were worthy of support - such measures should be applicable at all levels of the Organization and comprise firm sanctions for poor performance.

69. His delegation welcomed the news about the transfer of administrative responsibility for conference services from UNIDO to UNOV. It would be interested to hear whether the transfer would result in any savings for UNIDO and, if not, why not.

70. Mr. DE MARIA Y CAMPOS (Director-General) introduced the new Head of the Legal Service, Mr. Yusuf, to the Board.

71. In reply to the representative of Germany speaking on behalf of the European Union and Austria, he pointed out that efforts were being made within the United Nations system to establish a harmonized conceptual framework for the development of technological capabilities. In coordination with other organizations, such as UNDP and UNESCO, UNIDO had formulated a number of new ideas, which he hoped to present to the Board shortly. The purpose of all such efforts was to enhance the Organization's role and improve all aspects of its cooperation activities, bearing in mind the crucial importance of national execution and the development of local capabilities.

72. The Secretariat was determined to work as closely as possible with the Joint Inspection Unit, giving special emphasis to the need to strengthen internal auditing. The unit concerned

was performing excellent work but needed to be strengthened; support from Member States for that purpose would be welcome. Naturally, it was an area that required complete independence and neutrality. Together with the external auditors, the internal auditing unit should help to steer UNIDO towards much greater accountability. Similar importance attached to the evaluation function, which provided essential feedback for policy development, strategic planning and everyday work.

73. He had listened with interest to the suggestion that oversight functions might be consolidated in one entity in the close vicinity of the Director-General, under the supervision of a D-2 appointee. It was an idea that deserved study, since he realized that despite great progress over the preceding year, much still remained to be done. He certainly wished to strengthen the Office of the Director-General and ensure an even greater degree of coordination. The proposal was not without its difficulties, however, and would require detailed study.

74. Mr. VAN RAALTE (Managing Director, Division of Administration) said that progress towards gender equality had been satisfactory, although the targets had not yet been reached. A special effort would continue to be made. A performance appraisal system was also of the highest importance and would be included among the tasks of the two consultants to whom he had referred earlier.

75. Savings were expected as a result of the merger of the Languages and Documentation Service through better control of the volume of documentation, but it was difficult to quantify them at the present stage. It could be stated with confidence, however, that there would be no incremental costs.

76. Mr. ARCILLA (Philippines), referring to the proposal by the European Union and Austria to establish a D-2 post with responsibility for oversight, said that he would not encourage the Director-General to spend more time than was necessary on studying the matter, since his country, for one, had very serious reservations on it. UNIDO had been going through a lengthy restructuring exercise, and the creation of a post of the kind referred to would only lead to further delay. At the present time, the Organization had eight managing directors at D-2 level; the appointment of yet another, acting as primus inter pares, would amount to creating a further layer of bureaucracy. An under-secretary-general fulfilling a similar function in New York was more justifiable because of the much larger size of the United Nations Secretariat, numbering some 13,000 staff members.

77. Mr. DE MARIA Y CAMPOS (Director-General) thanked the representative of the Philippines for his comment and pointed out that by early January next year he hoped to be able to outline the measures he had taken to strengthen the Organization and his own Office. The proposal made on behalf of the European Union and Austria had its complexities, not least the claim that it could be carried out without budgetary implications and without increasing the number of D-2s, but he was always open to constructive suggestions. Unfortunately, it was not always possible to introduce all the changes one might like. In any event, it was clear that everybody's chief concern was to strengthen the management of UNIDO and introduce greater accountability.

PREPARATIONS FOR THE SIXTH SESSION OF THE GENERAL CONFERENCE (IDB.13/14)

78. Mr. DE MARIA Y CAMPOS (Director-General) recalled that, as decided by the General Conference at its fifth session, the next session of the Conference would be held in Vienna from 4 to 8 December 1995 at the Austria Center, where reservations had already been made. In conformity with article 9.4 (g) of the Constitution, it was the Board's task to prepare the provisional agenda; to help it in its work, a list of items was included in annex II of document IDB.13/14. Most of them came in response to mandates emanating either from the rules of procedure of the General Conference or from decisions taken by the Conference itself or the Board. Other items reflected the priorities of the draft medium-term plan. The grouping of items followed the priority areas of the revised draft medium-term plan 1996-2001, as recommended in General Conference resolution GC.4/Res.26.

79. He was giving some thought to the holding, immediately before the Conference, of a high-level expert meeting with representatives from all regions to discuss the challenges of industrialization in the coming years. He hoped that such basic issues as competitiveness, technology, employment problems and natural resources, which were of common concern to countries from all regions, would be taken up. Close consultations would be held with Member States on that subject and he would inform the Board at its next session of any further developments. In his view, the task of building a global industrial partnership and ensuring the development of all regions required discussion at the sort of high-level forum he was proposing and he was pleased to report that offers had already been received to host such a gathering.

80. Mr. SSENDAULA (Uganda), speaking on behalf of the African Group, said that while the Group recognized that the Uruguay Round agreements would bring about a steady liberalization of global trade, it wished to emphasize that the short-term impact was likely to be negative for a number of African countries, particularly those importing essential food requirements - a fact highlighted at the recent International Conference on the Implications of the Uruguay Round agreements held at Tunis in October 1994. UNIDO's role in that Conference had been particularly appreciated. The process of adjustment to a liberalized trade regime would also pose serious difficulties for most African countries, which would need to undertake a major reorientation of their industrial strategies and programmes in order to strengthen the agro-industrial sector and move towards increased processing of raw materials and exports of manufactured goods. A radical transformation would be needed before most African countries could join the mainstream of global trade and investment and technology flows. Apart from becoming internationally competitive and export-oriented, the agro-processing industries in Africa must also generate employment. At the same time, industrial growth had to be closely integrated with food security and increased agricultural production, together with industrial linkages with rural regions through small- and medium-scale industries and micro-enterprises.

81. UNIDO could and must play a major role in the reorientation of industrial strategies and programmes in the African countries. It had been noted with appreciation that the Director-General

was giving high priority to Africa and had initiated a series of industrial sector review missions. While UNIDO's ten-point programme for African countries and the provisions of the Mauritius Declaration of 1993 were still fully valid, further reorientation of industrial strategies for Africa had to take the Uruguay Round agreements into full account. International competitiveness and enhanced export capabilities were a key objective for African enterprises in industrial subsectors where particular countries had a relative comparative advantage.

82. The African Group considered that industrial rehabilitation, improvement in capacity utilization and an overall increase in industrial output would be expedited if the problems of high debt and debt servicing were confronted and resolved. It noted the continued interest of UNIDO in the matter and stressed that debt reduction and write-off would ensure a rapid return to sustained economic growth. In that connection, the African countries drew attention to the decision taken in Mauritius in May 1993 by the Conference of African Ministers of Industry and encouraged UNIDO and all Member States to redouble their efforts in that direction.

83. Lastly, the African Group welcomed recent developments in South Africa, where apartheid had finally been replaced by a fully democratic and non-racist constitutional dispensation. It applauded South Africa for that achievement and looked forward to the day when South African industrial knowledge and skills would be shared with other countries in UNIDO.

84. Mr. BORCHARD (Germany), speaking on behalf of the European Union and Austria, said that the grouping of items proposed in annex II of document IDB.13/14 was an important step in the right direction. Being convinced that a number of items of the traditional agenda were to a large extent of a ritual nature, as indeed were many of the resolutions adopted on them, he believed that concentration on areas where the policy-making organs, and in particular the General Conference, could have a genuine operational impact, would save a great deal of work. It also seemed likely that the burden of the Secretariat could be alleviated by requesting less ample documentation. Within the context of the present reform process he therefore suggested that steps be taken to reform the way in which the policy-making organs worked. For that purpose he invited the Director-General to arrange for a meeting between interested Member States from all regional groups and members of the Secretariat to prepare for the next session of the Board a proposal for an even more concise and focused agenda for the sixth session of the General Conference.

85. Mr. AL-GHAIS (Kuwait), speaking on behalf of the Asian Group, recalled General Conference resolution GC.5/Res.14 on the Special Programme for the Industrial Development of Asia and the Pacific, paragraph 2 (f) of which requested the Director-General to organize, within available resources, a regional meeting in 1995 to consider UNIDO activities and measures to promote industrialization in the region, in cooperation with the Economic and Social Commission for Asia and the Pacific (ESCAP) and interested regional organizations and Governments. The Group considered that such a meeting would be extremely useful, yielding best results if thorough preparations were made well in advance. He therefore proposed that the Asian Group should convene in Vienna as a preparatory committee in order to work out arrangements for the meeting, in cooperation with the Secretariat.

86. The Asia and the Pacific region faced both challenges and opportunities in the field of industrialization, which could be a powerful instrument for tackling the problems of social development, poverty and basic human needs, as well as environmental degradation. The great potential for regional industrial cooperation still remained to be harnessed, while competitiveness had to be strengthened. Furthermore, the recommendations of the Meeting of Ministers of Industry and Technology of ESCAP, held at Tehran on 28 and 29 June 1992, as contained in the Tehran Declaration, needed to be followed up, particularly in the areas of relevance to UNIDO's new development objectives and priorities. By focusing on those themes, the meeting should be able to arrive at a regional, action-oriented approach.

87. Mr. DE MARIA Y CAMPOS (Director-General), after thanking the African Group for a substantive contribution to the work of the session, said that the Secretariat was well aware of the challenge facing the African countries and more particularly the least developed among them. That was why special attention had been given to the Tunis Conference. Work was nearly finished on a new and more sharply focused strategy for industrialization in Africa, taking into account both the objectives and priorities established at Yaoundé and the particular needs of individual countries. A series of meetings had been held and it was hoped that, with the support of the meeting of the Conference of African Ministers of Industry to be held in Botswana and in coordination with the African Development Bank, the Economic Commission for Africa and the Organization of African Unity, a much more effective programme would finally emerge. With the necessary political will and commitment on the part of the African countries themselves, he hoped that it would be possible to attract the support of donor countries for an action that was so urgently needed.

88. He welcomed the ideas put forward by the representative of Germany on behalf of the European Union and Austria concerning ways of improving the general efficiency of the work of UNIDO's policy-making organs. He supported the idea of holding an informal meeting early in 1995 for the purposes described, to which all interested Member States would be invited.

89. In reply to the suggestion made by the representative of Kuwait on behalf of the Asian Group, he said that the Secretariat had already been looking into ways of supporting a regional meeting in Asia, for which the General Conference had given a clear mandate. In the context of efforts to improve communication he looked forward to discussions with the Asian Group on arrangements for the meeting, which he regarded as part of the preparations for the sixth session of the Conference.

The meeting rose at 1.10 p.m.